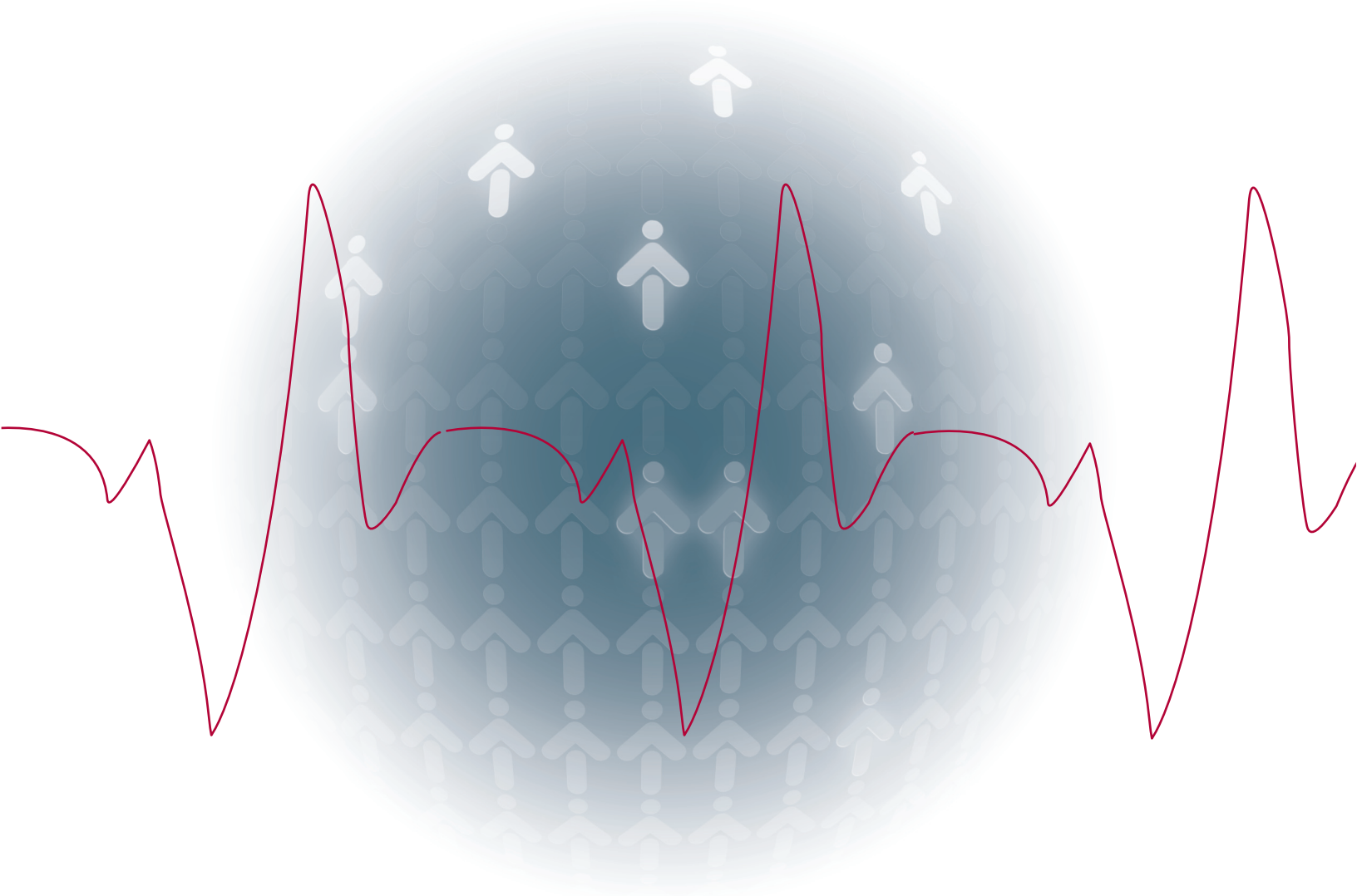


2010

State of Global
People Management

**HR's Guide to
Economic Recovery**



Executive Report

2010 State of Global People Management

HR's Guide to Economic Recovery

Introduction

The year 2009 was extremely challenging and exhausting for many human resources (HR) leaders and practitioners due to the worst recession the world has experienced in many decades. Yet as economies across the globe continue to transition from recession to recovery, there is a unique opportunity for HR leaders to take a more active and strategic role in facilitating this transition for their organizations.

HR's core goal for 2010 is straightforward: To better prepare and position the organization and its workforce for the growth opportunities that economic recovery inevitably brings. Hiring, developing, engaging, and retaining high performing talent are the keys to achieving this goal. And a people management strategy supported by robust and integrated underlying technology provides the means for achieving this goal.

Yet 56% of HR leaders still do not believe that their workforces are adequately prepared to meet their organizations' future plans, down only slightly from 59% a year ago. Fortunately, there are a few things these leaders can do to better prepare themselves and their workforces to tackle the challenges they will face in 2010:

- Organize for maximum business impact
- Limit top performer flight to facilitate growth
- Get the most out of HR technology investments

This executive brief presents findings from Softscape's 5th annual global talent survey. The data in this report is based on interviews with 300 senior-level HR practitioners conducted in November 2009. Additional information about the sample and survey methodology is contained in the Methodology section at the end of this report.

Top Predictions for HR in 2010:

1. Employee engagement will be in need of repair
2. Top performer flight will pose risk to future growth
3. Integration will become the new HR currency
4. Hiring will resume with emphasis on on-boarding
5. Talent mobility will become a mainstream strategy

Organize for Maximum Business Impact

Aligning HR strategies and programs to business results is essential in any economic environment. To this end, Softscape correlated several factors – strategy, leadership, and integration – to HR and business operating metrics in order to determine their impact. As outlined below, the results are significant.

Develop The People Management Strategy

Organizations with an advanced people management strategy that is well aligned to overall business objectives and strategy outperform those organizations that have no people management strategy by 32%¹. Yet more than 80% of organizations have still not yet aligned their HR programs and activities to business results, which suggests that there is significant room for improvement.

Assign Dedicated Leadership to Ensure Program Success

Organizations that have assigned a dedicated senior executive – one who is responsible for overall vision and execution of people management strategy and programs – outperform those organizations that have no dedicated senior executive by 11%. Fully 60% of organizations have assigned a dedicated senior executive, whereas 29% still have not assigned a leader and have immediate no plans to do so.

A message to the latter group: Effectively executing enterprise-wide people management programs dictates strong, dedicated leadership as well as program governance. The payoff may not seem large (11%), but there is a strong correlation between dedicated leadership and an organization's ability to both develop an advanced people management strategy as well as integrate talent processes, systems, and data (see next point).

Integrate Talent Processes, Systems, and Data

Organizations that have fully integrated their disparate talent processes, systems, and data – performance, succession, compensation, learning, recruiting, etc. – outperform those organizations that have not integrated by 41%. Most organizations (69%) have achieved only partial integration to date. This topic will be expanded upon further in the report.

Pulling It All Together: The Difference Between Leaders and Laggards

When effective strategy, leadership, and integration are all pulled together within an organization, a dichotomy between people management leaders and laggards becomes clear:

- People Management Leader: Talent strategy in place, dedicated executive responsible for strategy and programs, integrated talent processes, systems, and data.
- People Management Laggard: No talent strategy in place, no dedicated executive responsible for strategy and programs, non-integrated talent processes, systems, and data.

HR's core goal for 2010 is straightforward: To better prepare and position the organization and its workforce for the growth opportunities that economic recovery brings

People management leaders outperform laggards by 37%, highlighting how important strategy, leadership, and integration are to overall program success

Overall, people management leaders outperform laggards by 37%.

Leaders significantly outperform laggards in several areas:

- Better internal talent mobility
- Decreased voluntary turnover
- Increased financial performance of the organization
- Faster on-boarding (time-to-productivity)
- Improved workforce productivity

To become a people management leader, it is imperative that your organization organize for success by developing a talent strategy, assign dedicated leadership for program execution and governance, and focus on integration to align disparate HR functions.

Limit Top Performer Flight to Facilitate Growth

As economies shift from recession to growth, reducing top performer flight is top of mind for many HR practitioners. In fact, survey respondents identify retaining top performers and reducing flight as the #2 HR priority for 2010, just slightly behind improving employee engagement (typically another casualty of recessions). The data is unsurprising, since recessions often breed a “hunker down” mentality among employees, and engagement suffers due to numerous factors (e.g., layoffs of colleagues, pay freezes/cuts, hour cuts/furloughs).

The inability to retain top performers during an economic recovery can have a dramatic effect on an organization's future growth prospects. Fortunately, there are several strategies that HR can embrace to limit the outflow of top performers:

What are the most impactful ways to retain top performing employees?	Percent Agreeing
Provide career advancement opportunities	84%
Provide a stimulating & challenging work environment	83%
Provide consistent recognition of performance	69%
Enable individual development planning	66%
Equitable & fair total compensation	62%
Pay & reward what we promised	58%
Promote flexible working conditions & location	44%
Give non-financial incentives (Perks)	26%

Similar to results from last year's survey, HR practitioners can drive top performer retention by providing a systematic mechanism for career planning and employee development. These factors, unlike some of the other cultural or environmental factors, are in direct span of HR control. Forty-three percent (43%) of organizations currently employ a systematic process for employee development, with another 23% planning to implement one in 2010.

If HR is not adequately prepared, top performer flight will wreak havoc in 2010 and threaten to derail future organizational growth

HR can drive top performer retention by providing a systematic mechanism for career planning and employee development, as well as integrating core talent processes

Even more revealing, when people management technology usage and the overall business impact of technology are correlated, several potential areas of focus emerge to both increase internal talent mobility (i.e., finding new opportunities for top performers within the organization) and decrease voluntary turnover (i.e., flight).

People Management Technology / Integrations Currently In Use	Better Internal Talent Mobility	Decreased Voluntary Turnover	Total Impact (Rank)
Integrated Employee Development & Learning Management: Development plans executed via training	High Impact	High Impact	1
Integrated Performance Management and Succession Planning: Top performers designated as successors	High Impact	High Impact	2
Leadership Development (Standalone)	High Impact	High Impact	3
Employee Career and Development Planning (Standalone)	High Impact	Moderate Impact	4
Integrated Performance Management & Compensation: Pay-for-performance	Low Impact	High Impact	5

The data clearly reveals the impact of leveraging people management technology to standardize processes and facilitate integration among them. For organizations anticipating an exodus of top performers as economic recovery takes hold and the job market improves, these technology and integration areas of opportunity are low hanging fruit.

A final note: Timing is essential. Most economists agree that job growth will resume, albeit slowly, in mid-2010 and pick up steam throughout the year. As such, it is important to implement top performer retention strategies and supporting technologies well ahead of this anticipated time (e.g., by 2Q10).

Get The Most Out Of HR Technology Investments

There are several issues to consider when evaluating people management technology to support and enable the strategy. These issues include:

- Technology Delivery Approach: Examples include single “best-of-breed” platform, ERP/HRMS platform, etc.
- Applications & Technology: Examples include performance management, succession planning, compensation management, learning, recruiting, etc.
- Integration: Examples include integrated development and succession, integrated performance and compensation (pay-for-performance), etc.

As job growth resumes, it is critical to implement top performer retention strategies and supporting technologies before the employee exodus begins

People Management Technology Delivery Approach

When asked which approach best describes the current and future planned state of their people management systems, respondents answered:

People Management Technology Approach	Today	Planned by 2011	Growth(e)
Single "best-of-breed" platform	9%	24%	182%
Primarily use ERP/HRMS platform	17%	29%	70%
Use multiple systems (mostly integrated)	21%	29%	37%
Use multiple systems (little/no integration)	30%	11%	-63%
Primarily paper- & spreadsheet-based	23%	6%	-72%

Note: Calculated columns such as Growth are derived from unrounded percentages but rounded percentages are provided here for ease of readability

Despite being the least penetrated within organizations today, the single "best-of-breed" platform approach is poised for the highest growth (182%). It is not difficult to understand why: A single and complete platform that natively integrates various talent applications, processes, and data virtually eliminates the need for manual and costly systems integration. It also facilitates HR reporting and analysis – a top HR priority for 2010 according to respondents – since all of the data is located in one place.

Relative to the other approaches, organizations currently using a single "best-of-breed" platform report significant advantages in these areas:

- Better internal talent mobility
- Improved workforce alignment to overall strategy
- More quickly respond to changing business needs
- Reduced administration overhead and costs

Furthermore, when delivery approach is correlated to perceptions about the overall business impact of technology, the single "best-of-breed" approach is nearly 3x as likely to be rated "excellent" in terms of business value relative to ERP/HRMS, and more than 2x relative to multiple systems-mostly integrated.

Other approaches, such as using an existing ERP/HRMS platform or using multiple systems-mostly integrated are also viable, but these approaches do have drawbacks. ERP/HRMS platforms, on the one hand, are widely used to manage core transactional HR data, but they are typically complex, expensive, and fall short of providing strategic people management capabilities. Indeed, many industry analysts believe that it will be several years before traditional ERP/HRMS vendors provide competitive people management functionality.

On the other hand, organizations using multiple systems-mostly integrated may achieve the benefits of integrating core talent processes, but the integration comes

The use of a single "best-of-breed" platform to facilitate people management strategy is poised for the highest growth (182%) among all delivery approaches

Organizations that currently use a single "best-of-breed" platform perceive significantly higher business value of their technology investments

at a significant cost. Not only does IT or HRIS staff have to develop the interfaces between systems, but they need to maintain them over time and across upgrades. The development environments typically differ as well, meaning that specialized skill sets are required for each system. The result is costly administrative overhead to integrate and maintain multiple systems.

People Management Applications & Technology

Respondents were asked in which people management areas they have made and plan to make significant technology investments to automate and improve. The top areas, in order of future plan index (FPI)², are:

Application / Technology	Already Invested	Planned in 2010	No Plans	Growth(e)	Future Plan Index(e)
HR Reporting & Analytics	58%	28%	15%	48%	3.3
Performance Management	60%	26%	14%	43%	3.0
Employee Talent Profiles	29%	33%	38%	114%	3.0
Succession Planning	33%	31%	36%	95%	2.7
Social Networking & Collaboration	17%	25%	57%	146%	2.6
Competency Management	36%	30%	34%	83%	2.5
Employee Development	46%	29%	26%	62%	2.4
Employee Career Planning	25%	28%	47%	113%	2.4
Leadership Development	41%	28%	31%	68%	2.2
On-Boarding	29%	27%	43%	93%	2.2

Note: Calculated columns such as Growth are derived from unrounded percentages but rounded percentages are provided here for ease of readability

The data reveals a wide range of priorities and plans for 2010. Of particular interest is HR Reporting & Analytics. A key challenge many HR leaders face is accurately measuring the impact of their people management programs. Part of the challenge lies in the fact that data is spread out in various silos across the organization and there is no common employee system of record.

A single "best-of-breed" people management platform that covers the gamut of HR functions alleviates some of the problems (since the data is all in one place). And with a robust analytic and reporting function, previously unavailable insight can be gained. Yet fully 26% of HR leaders cannot measure the business impact of people management programs on their organization, so clearly there is still work to be done.

Using your ERP/HRMS system or multiple systems for strategic people management has significant drawbacks

Fully 26% of HR leaders cannot yet measure the business impact of people management programs on their organization

When asked which metrics are consistently used today and planned for use in 2010, the top metrics, in order of FPI, are:

HR Metric	Invested	Planned in 2010	No Plans	Growth(e)	Future Plan Index(e)
Impact of training on performance	21%	34%	45%	162%	3.6
On-boarding effectiveness	28%	32%	40%	111%	2.8
Leadership successor readiness	37%	31%	33%	84%	2.6
Top performer identification	49%	28%	23%	57%	2.4
Internal talent mobility	30%	29%	41%	97%	2.3
Learning program effectiveness	35%	28%	37%	80%	2.2
Employee engagement	51%	24%	25%	46%	1.8
Quality of hire	31%	23%	46%	76%	1.7

Note: Calculated columns such as Growth are derived from unrounded percentages but rounded percentages are provided here for ease of readability

The data reveals high growth in strategic, cross-functional HR analytics. Unlike tactical metrics such as retention / turnover (87% of organizations currently using) or time to fill open positions (68% of organizations currently using), strategic workforce analytics provide more meaningful methods for measuring overall HR efficiency and effectiveness. These metrics tend to operate across HR functions and existing data silos. A good example is measuring the impact of education and training programs on performance, a metric that many organizations are planning to implement in 2010.

A single “best-of-breed” people management platform is a prerequisite for strategic workforce analytics since all of the required data is one place and is readily accessible. In the context of reporting and analytics, adopting a single platform approach to people management enables HR practitioners to focus more on analysis, insight, and action rather than on data collection and manipulation.

People Management Integration

Integration is the lifeblood of people management strategy. Of the three organizational factors – strategy, leadership, and integration – that positively contribute to overall HR and business results, integration provides the most benefit. From earlier in the report, recall that organizations with fully integrated talent processes, systems, and data outperform those organizations that have not integrated by 41%.

Strategic workforce analytics are the future of HR measurement as they provide more meaningful, cross-functional metrics for measuring overall program efficiency and effectiveness

When respondents were asked which processes they have made significant progress integrating with technology and which they plan on integrating during 2010, the top integrations, in order of FPI, are:

Integration	Invested	Planned in 2010	No Plans	Growth(e)	Future Plan Index(e)
Development & Succession: Enable development planning for future roles	26%	35%	39%	134%	3.5
Employee Talent Profiles & HR: A single employee profile across all HR functions	26%	34%	40%	130%	3.2
Performance & Succession: High performers designated as successors	30%	33%	37%	111%	3.0
Development & Learning: Development plans executed via training	35%	32%	33%	93%	2.8
Learning & Performance: Training as a component of goal completion	34%	31%	35%	93%	2.6

Note: Calculated columns such as Growth are derived from unrounded percentages but rounded percentages are provided for here ease of readability

Organizations that have invested in HR integration significantly outperform organizations that have not invested in integration

Across 15 different integrations evaluated in this research, organizations that have invested in integration significantly outperform organizations that have not invested. In other words, there are significant business benefits to integration. And when the cost of integration is taken out of the equation, as is the case when leveraging a single "best-of-breed" platform instead of multiple systems that must be manually integrated, the net benefits are even higher.

Conclusion

Softscape's 5th annual global talent survey findings reveal the significant business impact of organizing around people management, how to limit top performer flight to facilitate growth, and how to get the most out of your HR technology investments. As global economic conditions continue to improve, HR leaders have an incredible opportunity to take an active and strategic role in preparing their organizations for future growth and prosperity by developing a people management strategy supported by a single "best-of-breed" platform.

HR leaders have an incredible opportunity to take an active and strategic role in preparing their organizations for future growth and prosperity

Methodology

Softscape interviewed 300 senior-level HR practitioners from around the world via a web-based survey in November 2009. Sixty-nine percent (69%) of the organizations surveyed are headquartered in North America, 24% in the UK and EMEA (Europe, Middle East, Africa), and 7% in Asia Pacific (primarily Australia and New Zealand). The sample represented a diverse collection of nearly twenty industries, with no single industry representing more than 12% of the overall sample. Seventy-six percent (76%) of the organizations surveyed have more than 1,000 employees, 55% have more than 5,000 employees, and organizations with less than 100 employees were eliminated from the analysis. Nearly 70% of the organizations surveyed operate in two or more countries and 43% operate in six or more. Respondents answered a variety of questions pertaining to their HR and people management strategies, initiatives, challenges, plans, goals, and outcomes.

Endnotes

¹ Based on the aggregation of 12 key HR and business operating metrics

² The Future Plan Index (FPI) normalizes the estimated future growth of an area by taking into account no plans to invest in the area; Formula: $FPI = [(Planned \text{ in } 2010 / \text{Already Invested}) / \text{No Plans}]$; Calculated columns such as FPI are derived from unrounded percentages

Authored By

Steve Bonadio, VP of Product Marketing, Softscape, Inc.
For more information, contact sbonadio@softscape.com.

About Softscape

Softscape is the global leader in complete people management software solutions that enable organizations to more effectively drive their business performance.

Softscape's vision and history of innovation is consistently recognized by industry analysts and luminaries. The company's complete, end-to-end platform natively connects all human resources (HR) and talent functions, including performance management, succession planning, learning, career development, compensation, hiring and recruiting, workforce planning, social networking, and core HR records.

Softscape's customers span 156 countries, 30 vertical industries, and include global Fortune 500/Global 2000 enterprises, mid-market companies, higher education institutions, and public sector agencies. Current customers include Barclays, AstraZeneca, Seagate, GKN, Sony, Duke Energy, the University of Notre Dame, and KPMG.

Softscape is based in Massachusetts with offices in London, Sydney, Chicago, San Francisco, Bangkok, Hong Kong, and Johannesburg.

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WORLDWIDE HEADQUARTERS:
SOFTSCAPE, INC.
526 BOSTON POST ROAD
WAYLAND, MA USA 01778
PHONE (US/CANADA): +1 (800) 881-2546
PHONE (INTERNATIONAL): +1 (508) 358-1072

SOFTSCAPE EMEA LTD:
SUITE B, LODDON VALE HOUSE
HURRICANE WAY
WOODLEY READING RG54UL
UNITED KINGDOM
PHONE (+44) 118 969 5634

SOFTSCAPE ASIA:
PACIFIC PTY LTD
LEVEL 1, 52-54 STANLEY ST
EAST SYDNEY, NSW 2010
SYDNEY, AUSTRALIA
PHONE: +61 (0) 2 9358 3966

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